

U.K. PROBES BID BY U.S. FIRM TO ACQUIRE ART AUCTIONEER

Britain's Trade Secretary, Lord Cockfield, overrode a recommendation of the Office of Fair Trading on May 4 and ordered a study by the Monopolies and Mergers Commission of a bid by General Felt Industries Inc. of the U.S. to acquire Sotheby's. Reasons given were concern about the impact of the proposed takeover on London's position in the international art market and Sotheby's position in that market. The bid lapses automatically pending completion of the study which will take some months. Sotheby's opposes the bid and may now be able to prevent it.

The decision to refer the bid to the Commission has been criticized by the British press. A political decision to reverse a recommendation of the Office of Fair Trading always raises questions, and this proposed takeover does not appear to be of great national significance or to be likely to affect competition adversely. Moreover, the decision adds to concerns that the legislation on mergers leaves too much discretion both to the political level and to the Commission. Decisions at both levels have become difficult to predict and there have been demands either for legislative change or for a clear statement of policy.

PUBLICATIONS NOTED

William G. Shepherd, "Causes of Increased Competition in the U.S. Economy, 1939-80", The Review of Economics and Statistics, Vol. LXIV, No. 4, Nov. 1982. This article will undoubtedly affect the perceptions which many have had of the competitiveness of the entire U.S. economy. Shepherd builds upon and extends to 1980 the work of Nutter and Einhorn who estimated that the effectively competitive share of the whole American economy had risen slightly between 1939 and 1958.

By way of background, it is useful to recall a description which Joe S. Bain wrote in 1959 of historical concentration trends in the United States:

"In extremely rough terms, the following sequence of changes in concentration may be noted for the last eighty-five or ninety years: (1) starting with a relatively unconcentrated business structure after the Civil War, the economy experienced a marked increase in overall business concentration from then until the early 1900's (around 1905 or 1910), largely through a greatly increased concentration in most manufacturing industries. (2) From 1905 or 1910 until the middle of the 1930's, overall business concentration further increased significantly, but mainly because of a marked rise in concentration in the increasingly important public utilities sector of the economy, and, to a lesser extent, in the sector of the distributive trades. In spite of the various movements in various

manufacturing industries, there was no further dramatic overall increase in concentration in manufacturing. (3) From about 1935 up roughly to the present, business concentration has remained relatively stable both within the economy as a whole and within the principal sectors. A plateau of concentration was reached by the middle 1930's from which we have not departed upward or downward to any significant extent."

(Industrial Organization, New York, 1959, page 189)

Sherpherd, like Nutter and Einhorn, considers behavioral as well as structural evidence. In addition to measures of concentration in the various sectors of the economy, he takes into account such factors as imports, entry barriers and regulation.

His conclusions are very encouraging. He estimates that the share of the economy characterized as "effectively competitive" rose from about one half in 1958 to three quarters in 1980. Over the same period he estimates that the share characterized as tight oligopoly fell from 35 per cent to 18 per cent and that characterized as pure monopoly or dominant firm fell from eight to five per cent. Moreover, all sectors shared in the trend although the improvement was especially rapid in manufacturing, trade and financial and other services. He attributes the increase in competitiveness largely to rising import competition, antitrust policy and deregulation.

It is not likely that the trends in Canada have been as positive. Concentration is far higher here, due in part of the effects of a smaller domestic market. Moreover, Canada is more protectionist, has much weaker antitrust legislation, and has not emulated American deregulatory initiatives to any great extent.